R --

I had a *long* talk with Joel Solomon this morning about the possible loan.

I need to go to the bank and also to take a long walk to clear out my head, then I'll come back and try to write a summary of it to show to you before we pass any of this report to Ty.

Short take:

Good news is that he wants to do something, hopes we can work out the loan, but will come up with a grant (probably modest) in the next month if the loan can't be done.

More complex news is that the potential lenders really do want to look at this as a good business deal with us in fact pulling in substantially higher circulation and circulation income if they lend us money. He would prefer to present to the lenders a plan whereby we get some money now, but get additional money as we demonstrate results.

Just a bother: He's going out of town for three weeks beginning Sunday. He says it's not critical to get anything to him before he goes, that his office will notify him and forward to the potential lenders (the people who will make the actual decision) anything we send to his office. But he's still a key player, since he's Ty's friend and the guy who wants to help us make it happen. I'd be less happy about sending anything that doesn't go through him. But we can't afford to send anything which isn't as solidly nailed down from our end as we can make it.

To: Ruth
From: Mike, 8/17/95
Re: Joel Solomon

I'm sorry the attached is so long, but I want to try to put in everything which seems relevant, to get it all before us when we talk.

Please review carefully. Then we can revise if/where necessary and send to Ty (I'll include in it some comments and notes which should just be between us, but some version of this should go to Ty, since he's sure to ask for a report on the conversation. And since it's hard not to imagine Ty/the Board needing to agree on the terms for a loan, inasmuch as the board will be the responsible party if we take on debt).

I can't go for long — I would say tomorrow morning — before telling Ty that Joel called me. Very embarrassing if he calls Joel and Joel says he talked with me, but I haven't reported that to Ty. So even if all I do in the morning is tell Ty a report is coming, I should do that right away.

To: Ruth and Ty
From: Mike, 8/17/95
Re: Joel Solomon

I had a long talk with Joel Solomon this morning. He's clearly interested and he clearly wants to help Whole Earth. But he also clearly wants to be able to present and defend a proposal as a good business decision.

Timing. He's gone for three weeks beginning Sunday. If we want to get anything to him before he goes, we need to fax it Friday. If we send anything to his office after that, he will be notified, and the materials will be forwarded to the potential lenders; it's not clear to me whether he thinks they would then make a decision or would wait until he is back and they can talk with him.

So we need to make a fast decision whether to (a) try to get something to him Friday; (b) send materials to be forwarded by his office; (c) wait until he returns. He feels it's not critical that we get anything to him before he goes. Since he's our advocate, I'm a little leery of sending materials which just get passed on to the lenders. But I don't want to unnecessarily slow everything down.

Also: he expects to be in the Bay Area the weekend of September 16, and hopes to come by and see the offices. He says, "I could just ask Ty to bring me by and give me a tour." Not much to see in a tour. Better, I think, for him to meet whoever we consider to be the key people he should see.

Bottom Line. He says we'll get *something* within the next month. Even if it's a modest grant (he refused to name an amount) rather than a substantial loan.

Next to the Bottom Line. He says $200,000 is too big a bite for them to take immediately, in light of both their own resources and their lack of familiarity with the business side of Whole Earth. They need reasons to believe that the money will be paid back, and won't become a grant that they didn't intend to make as a grant.

There are two parts to this (see details below):

(1) Whatever we can do to strengthen the case for this being a good business investment. Definitely, they expect the money to be used for improving our income/circulation expansion. If we took the money, we would need to do so with that understanding. We also need to give them *reasons* for thinking this effort will succeed if they invest in it. See more below.

(2) The best way to structure a proposal would be for some of the money being contingent on our demonstrating success. His words: "It would

need to be a phased process, giving them the opportunity as we go to see how well we are doing."

He said repeatedly that we need to structure what we ask for in terms of what we need. What would be easiest for him to sell, he says, is the following, but we shouldn't ask for it if it's not what would help us.

The longer-term our relationship is, and the more reasons we give them to have confidence in us, the more money we will be able to get over time.

Easiest proposal to sell would be asking for as little as possible in the first chunk:

$25,000 - $35,000 immediately, with more time after that for him to explain and present, and more time for us to demonstrate our capacity to use the money effectively
Same amount 120 days later
Same amount 120 days later, 120 days after that, etc., with them having the option at each of those points to say, "No more." The notion would be that we would then be able/be required to show progress at each stage

If we can't or aren't willing to do that, an alternative could be to ask for, say, $100,000 now and $100,000 in a year, with the understanding that the second $100,000 would be contingent on our performance over the first year.

A variation on the second, maybe needing to be combined with it, would be a proposal to pay down part of the loan regularly and in advance. For instance, pay back 5% the first year, 7% the second, 10% the third, 10% the fourth, and the balance after five years. This would be in addition to paying market-rate interest (something like 8%) each year.

Another variation would be to designate to them some income source in which we have confidence. E.g., the first $7500 of royalties (I don't think that one's safe); or the first $7500 (or 50% of new $$ up to a designated amount) from new sub expansion or sales; or whatever. As part of the proposal, we would commit to send that to them, to pay down the loan and to demonstrate our successfulness.

The purpose of all of this is to cushion their risk, to show that we are thinking in a business-like way, and to give them confidence that things are happening (i.e., we are improving our circulation and income situation) in the way we project that we are.

Interest. He's willing, and he thinks they would be willing, to look at alternatives in lieu of $$ to pay the interest: for instance, subscriptions and/or MWECs to outlets — environmental organizations, opinion leaders, college campuses — in B.C. He would be willing to help us, but was clear we would need to do much of the legwork ourselves to identify those outlets. He's aware that this is a way to discount the interest cost (our providing $8,000 worth of subscriptions, for example, at what might be a cost to us of only $2,500). He's also aware — and likes the idea — that offering free subscriptions *could* be a tool for converting those into paying subscriptions in subsequent years. We might even build into the plan a way that the income from those that becoming paying subs becomes part of the way we pay back the loan or pay the interest in later years.

Back to strengthening the case for this being a good business investment. Over and over again, he came back to variations on, "This loan is substantial enough to require confidence in the business end of Whole Earth. You need to show you are good business people who can do good business thinking. Lots of non-profits get distracted from the business side. The lenders want to know, are these people just presenting idealized projections for their future, or are they thinking in a good business-like way?"

This has several different and related dimensions, all of which he asked about and/or grilled me at length about. I'm not clear how much of this we need to think about writing up for him, but, I suppose, the more the better where we have something to say.

Board. He wanted to know lots about the board. He was impressed with the fund-raising credentials of Wade, and was impressed that Ty had raised nearly $50,000 in the last two months. But he urged me that Point needs to get some good business people on the board.

Staff. He wanted to know something about me. He certainly wanted to know about Meg's credentials for leading this circulation expansion drive. He was surprisingly uninquisitive about whether anyone here has editorial skill (maybe he assumed that).

Circulation Expansion. The big one: what is our basis for confidence in our projections? How can we show that we can reasonably be expected to reach our goals?

What is our potential market? How do we define our niche? How do we know? What is the basis for our confidence that there are enough people out there to support the growth we project, and that we have the means to get to them? What new markets are we moving into to replace the aging parts of our readership?

WERs distinctiveness. Can we give him a good sound-bite tag-line to define *Whole Earth Review*? If *Utne Reader* is "the alternative *Readers'*

Digest, what are we? How do people find us? What makes us stand out and makes us appealing? [NB: I think this is a two-part question: first is what can we say strongly in order to sell ourselves; second is what can he say to sell us to the lenders].

Holding down expenses. He's seen the projected budgets we've sent out with Ty's proposal. His first reaction is that what we've been calling a bare-bones budget looks pretty high: $200,000+ per issue. He says he's under the impression that *Adbusters* puts out an issue for about $20,000. "Of course, they're starving artists, not people trying to make a living doing what they're doing."

He wondered whether we could get economies of scale by, for instance, going to six issues a year. Then he said, "maybe that's only true if you're selling advertising."

Anyhow, we may need to be prepared to defend our expenses as well as to show how much income we can produce.

Other Funding Development. What foundations are we approaching? I gave him some names. He suggested a couple more he thought ought to be on the list. Who's doing our fund-raising? Are they on salary? Etc., etc.

Closing Comments. They would want to see that we would be aggressively paying down a loan if we took one. Whatever we did, we would have the option to come to them later with proposals for restructuring it.

One alternative to a loan might be their buying a CD which would constitute the guarantee for a line of credit at a bank. That could save us interest — by our not using the money till we needed it. But it would also mean that part of the money involved would end of going to a bank instead of to us. May not be a way to go, but could be looked at.

Who he talks to. He's prepared to talk to either Ty or to me (as the Point business person). But he would prefer to talk to only one person.

Enough for one conversation?